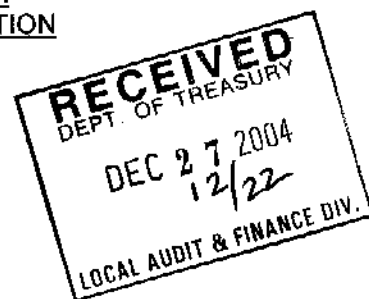


TOWNSHIP OF SPURR  
Baraga County, Michigan  
07-1050  
FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2004

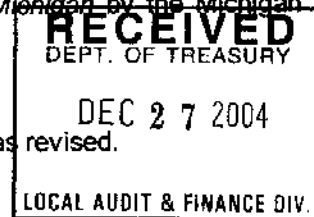


## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Spurr	<b>County</b> Baraga
<b>Audit Date</b> June 30, 2004	<b>Opinion Date</b> November 5, 2004	<b>Date Accountant Report Submitted to State:</b> November 5, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF SPURR  
Baraga County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
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## INDEPENDENT AUDITOR'S REPORT

November 5, 2004

To the Township Board  
Township of Spurr  
Baraga County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Spurr, Baraga County, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Spurr's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Spurr, Baraga County, Michigan as of June 30, 2004, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF SPURR  
Baraga County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2004

The Management's Discussion and Analysis report of the Township of Spurr covers the Township's financial performance during the year ended June 30, 2004.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Assets at June 30, 2004, totaled approximately \$163,504.00 for governmental activities. We had no business type activities.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund, Special Revenue Funds and the Capital Projects Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

TOWNSHIP OF SPURR  
Baraga County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2004

FUND FINANCIAL STATEMENTS (continued)

The Township has the following types of funds:

**Governmental Funds:** Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include: General, Fire, Liquor Law Enforcement, Road, Cemetery, Garbage and Public Improvement.

**Proprietary Funds:** The Township does not have any proprietary funds.

**Fiduciary Funds:** The Township is a trustee or fiduciary for assets that belong to others. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individual/organizations to whom the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Trust & Agency Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The Township's net assets for governmental activities decreased by \$723.93 for the fiscal year ended June 30, 2004.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

**General Fund:** This fund is used to record all activities of the Township not required to be in a separate fund. This would include building and grounds, legislative, administrative and elections. The major source of revenue for the general fund is from the Township tax base and the revenue sharing from the State of Michigan.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During the fiscal year ended June 30, 2004, the Township acquired a new computer for \$1,393.45.

The Township of Spurr had no long-term debt activity during the fiscal year ended June 30, 2004.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township does not have any known factors affecting future operations.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to demonstrate the accountability for the revenues it receives. If you have questions concerning this report please contact the Township office by calling (906) 323-6166.

TOWNSHIP OF SPURR  
Baraga County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2004

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>367 078 91</u>
Total Current Assets	<u>367 078 91</u>
NONCURRENT ASSETS:	
Capital Assets	74 910 17
Less: Accumulated Depreciation	<u>(58 970 61)</u>
Net capital assets	<u>15 939 56</u>
Total Noncurrent Assets	<u>15 939 56</u>
TOTAL ASSETS	<u>383 018 47</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>4 000 25</u>
Total Current Liabilities	<u>4 000 25</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	15 939 56
Unrestricted	<u>363 078 66</u>
Total Net Assets	<u>379 018 22</u>
TOTAL LIABILITIES AND NET ASSETS	<u>383 018 47</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SPURR  
Baraga County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2004

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	3 020 27	-	(3 020 27)
General government	49 836 49	7 988 03	(41 848 46)
Public safety	20 616 83	1 865 44	(18 751 39)
Public works	75 724 97	-	(75 724 97)
Recreation and culture	<u>1 442 52</u>	-	<u>(1 442 52)</u>
Total Governmental Activities	<u>150 641 08</u>	<u>9 853 47</u>	<u>(140 787 61)</u>
General Revenues:			
Property taxes			89 097 42
Swamp tax			13 218 67
State revenue sharing			28 058 25
Interest			6 165 70
Miscellaneous			<u>3 523 64</u>
Total General Revenues			<u>140 063 68</u>
Change in net assets			(723 93)
Net assets, beginning of year			<u>379 742 15</u>
Net Assets, End of Year			<u><u>379 018 22</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF SPURR  
Baraga County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2004

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Garbage</u>	<u>Capital Projects</u>
<u>Assets</u>					
Cash in bank	<u>87 353 93</u>	<u>5 309 21</u>	<u>135 038 61</u>	<u>53 829 47</u>	<u>80 440 64</u>
Total Assets	<u>87 353 93</u>	<u>5 309 21</u>	<u>135 038 61</u>	<u>53 829 47</u>	<u>80 440 64</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Accounts payable	<u>1 360 92</u>	<u>-</u>	<u>-</u>	<u>2 639 33</u>	<u>-</u>
Total liabilities	<u>1 360 92</u>	<u>-</u>	<u>-</u>	<u>2 639 33</u>	<u>-</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	<u>85 993 01</u>	<u>5 309 21</u>	<u>135 038 61</u>	<u>51 190 14</u>	<u>80 440 64</u>
Total fund equity	<u>85 993 01</u>	<u>5 309 21</u>	<u>135 038 61</u>	<u>51 190 14</u>	<u>80 440 64</u>
Total Liabilities and Fund Equity	<u>87 353 93</u>	<u>5 309 21</u>	<u>135 038 61</u>	<u>53 829 47</u>	<u>80 440 64</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
<u>5 107 05</u>	<u>367 078 91</u>
<u><u>5 107 05</u></u>	<u><u>367 078 91</u></u>

<u>-</u>	<u>4 000 25</u>
<u>-</u>	<u>4 000 25</u>

<u>5 107 05</u>	<u>363 078 66</u>
<u>5 107 05</u>	<u>363 078 66</u>
<u><u>5 107 05</u></u>	<u><u>367 078 91</u></u>

TOWNSHIP OF SPURR  
Baraga County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2004

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	363 078 66
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	74 910 17
Accumulated depreciation	<u>(58 970 61)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>379 018 22</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SPURR  
Baraga County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – GOVERNMENTAL FUNDS  
Year ended June 30, 2004

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Garbage</u>	<u>Capital Projects</u>
Revenues:					
Property taxes	14 713 04	29 396 71	40 851 90	-	-
Other taxes	13 218 67	-	-	-	-
Licenses and permits	1 865 44	-	-	-	-
State revenue sharing	27 480 75	-	-	-	-
Charges for services:					
PTAF	7 573 03	-	-	-	-
Other	415 00	-	-	-	-
Interest	1 479 17	161 61	1 891 38	1 174 80	1 408 58
Miscellaneous	2 994 14	202 77	296 25	-	-
Total revenues	<u>69 739 24</u>	<u>29 761 09</u>	<u>43 039 53</u>	<u>1 174 80</u>	<u>1 408 58</u>
Expenditures:					
Legislative:					
Township Board	3 020 27	-	-	-	-
General government:					
Supervisor	5 260 00	-	-	-	-
Elections	1 247 96	-	-	-	-
Assessor	4 860 00	-	-	-	-
Attorney	277 50	-	-	-	-
Clerk	5 795 00	-	-	-	-
Board of Review	460 00	-	-	-	-
Treasurer	5 900 00	-	-	-	-
Building and grounds	22 847 80	-	-	-	-
Cemetery	-	-	-	-	-
Public safety:					
Liquor control	-	-	-	-	-
Fire protection	-	-	19 147 72	-	-
Protective inspection	817 83	-	-	-	-
Planning Commission	70 00	-	-	-	-
Public works:					
Highways and streets	4 898 00	32 365 82	-	-	-
Sanitation	-	-	-	38 461 15	-
Culture and recreation:					
Recreation	1 281 66	-	-	-	-
Capital outlay	1 393 45	-	-	-	-
Total expenditures	<u>58 129 47</u>	<u>32 365 82</u>	<u>19 147 72</u>	<u>38 461 15</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	11 609 77	(2 604 73)	23 891 81	(37 286 35)	1 408 58
Fund balances, July 1	<u>74 383 24</u>	<u>7 913 94</u>	<u>111 146 80</u>	<u>88 476 49</u>	<u>79 032 06</u>
Fund Balances, June 30	<u>85 993 01</u>	<u>5 309 21</u>	<u>135 038 61</u>	<u>51 190 14</u>	<u>80 440 64</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
4 135 77	89 097 42
-	13 218 67
-	1 865 44
577 50	28 058 25
-	7 573 03
-	415 00
50 16	6 165 70
<u>30 48</u>	<u>3 523 64</u>
<u>4 793 91</u>	<u>149 917 15</u>

-	3 020 27
-	5 260 00
-	1 247 96
-	4 860 00
-	277 50
-	5 795 00
-	460 00
-	5 900 00
-	22 847 80
1 932 17	1 932 17

581 28	581 28
-	19 147 72
-	817 83
-	70 00

-	37 263 82
-	38 461 15

-	1 281 66
-	<u>1 393 45</u>

<u>2 513 45</u>	<u>150 617 61</u>
-----------------	-------------------

2 280 46	(700 46)
----------	----------

<u>2 826 59</u>	<u>363 779 12</u>
-----------------	-------------------

<u>5 107 05</u>	<u>363 078 66</u>
-----------------	-------------------

TOWNSHIP OF SPURR  
Baraga County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2004

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (700 46)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(1 416 92)
Capital Outlay	<u>1 393 45</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (723 93)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SPURR  
Baraga County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Spurr, Baraga County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Spurr. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF SPURR  
Baraga County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Fund

This fund is used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations and special assessments.

Fiduciary Funds

The Current Tax Collection and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 5.4466 mills, and the taxable value was \$15,622,716.00.



TOWNSHIP OF SPURR  
Baraga County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

The Township has a policy of capitalizing all capital assets regardless of cost. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	5-7 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$15,939.56.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

TOWNSHIP OF SPURR  
Baraga County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 2 – Budgets and Budgetary Accounting (continued)

2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>367,078.91</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF SPURR  
Baraga County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>180 735 05</u>
Total Deposits	<u>380 735 05</u>

The Township of Spurr did not have any investments as of June 30, 2004.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/04</u>
Land	12 400 00	-	-	12 400 00
Buildings	50 928 00	-	-	50 928 00
Equipment	<u>11 906 30</u>	<u>1 393 45</u>	<u>1 717 58</u>	<u>11 582 17</u>
Total	75 234 30	1 393 45	1 717 58	74 910 17
Accumulated Depreciation	<u>(57 553 69)</u>	<u>(1 416 92)</u>	<u>-</u>	<u>(58 970 61)</u>
Net Capital Assets	<u>17 680 61</u>	<u>(23 47)</u>	<u>1 717 58</u>	<u>15 939 56</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended June 30, 2004, was \$1,307.70.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of June 30, 2004, the Township had building permit revenues of \$1,865.44 and building permit expenses of \$817.83.

TOWNSHIP OF SPURR  
Baraga County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>599 37</u>	Current Tax Collection	<u>599 37</u>
Total	<u>599 37</u>	Total	<u>599 37</u>

Note 10 – Budget Variances

For the fiscal year ended June 30, 2004, Township expenditures exceeded the budgeted amounts in one activity as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
Road Fund Activity: Highways and streets	32 000 00	32 365 82	365 82

TOWNSHIP OF SPURR  
Baraga County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	12 571 00	12 571 00	14 713 04	2 142 04
Other taxes	13 000 00	13 000 00	13 218 67	218 67
Licenses and permits	1 100 00	1 100 00	1 865 44	765 44
State revenue sharing	23 000 00	23 000 00	27 480 75	4 480 75
Charges for services:				
Property tax administration	7 500 00	7 500 00	7 573 03	73 03
Other	210 00	210 00	415 00	205 00
Interest	1 500 00	1 500 00	1 479 17	(20 83)
Miscellaneous	7 140 00	7 140 00	2 994 14	(4 145 86)
Total revenues	<u>66 021 00</u>	<u>66 021 00</u>	<u>69 739 24</u>	<u>3 718 24</u>
Expenditures:				
Legislative:				
Township Board	3 845 00	3 845 00	3 020 27	(824 73)
General government:				
Supervisor	5 260 00	5 260 00	5 260 00	-
Elections	2 050 00	2 050 00	1 247 96	(802 04)
Assessor	4 860 00	4 860 00	4 860 00	-
Attorney	2 240 00	2 240 00	277 50	(1 962 50)
Clerk	5 900 00	5 900 00	5 795 00	(105 00)
Board of Review	550 00	550 00	460 00	(90 00)
Treasurer	5 910 00	5 910 00	5 900 00	(10 00)
Building and grounds	24 322 00	24 322 00	22 847 80	(1 474 20)
Public safety:				
Protective inspection	1 000 00	1 000 00	817 83	(182 17)
Planning Commission	200 00	200 00	70 00	(130 00)
Public works:				
Highways and streets	5 500 00	5 500 00	4 898 00	(602 00)
Culture and recreation:				
Recreation	1 300 00	1 300 00	1 281 66	(18 34)
Other:				
Contingency	1 000 00	1 000 00	-	(1 000 00)
Capital outlay	1 400 00	1 400 00	1 393 45	(6 55)
Total expenditures	<u>65 337 00</u>	<u>65 337 00</u>	<u>58 129 47</u>	<u>(7 207 53)</u>
Excess of revenues over expenditures	684 00	684 00	11 609 77	10 925 77
Fund balance, July 1	-	-	74 383 24	74 383 24
Fund Balance, June 30	<u>684 00</u>	<u>684 00</u>	<u>85 993 01</u>	<u>85 309 01</u>

TOWNSHIP OF SPURR  
Baraga County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	31 800 00	31 800 00	29 396 71	(2 403 29)
Interest	150 00	150 00	161 61	11 61
Miscellaneous	<u>175 00</u>	<u>175 00</u>	<u>202 77</u>	<u>27 77</u>
Total revenues	<u>32 125 00</u>	<u>32 125 00</u>	<u>29 761 09</u>	<u>(2 363 91)</u>
Expenditures:				
Public works:				
Highways and streets	<u>32 000 00</u>	<u>32 000 00</u>	<u>32 365 82</u>	<u>365 82</u>
Total expenditures	<u>32 000 00</u>	<u>32 000 00</u>	<u>32 365 82</u>	<u>365 82</u>
Excess (deficiency) of revenues over expenditures	125 00	125 00	(2 604 73)	(2 729 73)
Fund balance, July 1	<u>5 685 00</u>	<u>5 685 00</u>	<u>7 913 94</u>	<u>2 228 94</u>
Fund Balance, June 30	<u><u>5 810 00</u></u>	<u><u>5 810 00</u></u>	<u><u>5 309 21</u></u>	<u><u>(500 79)</u></u>

TOWNSHIP OF SPURR  
Baraga County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	45 200 00	45 200 00	40 851 90	(4 348 10)
Interest	1 700 00	1 700 00	1 891 38	191 38
Miscellaneous	<u>300 00</u>	<u>300 00</u>	<u>296 25</u>	<u>(3 75)</u>
Total revenues	<u>47 200 00</u>	<u>47 200 00</u>	<u>43 039 53</u>	<u>(4 160 47)</u>
Expenditures:				
Public safety:				
Fire protection	<u>40 883 00</u>	<u>40 883 00</u>	<u>19 147 72</u>	<u>(21 735 28)</u>
Total expenditures	<u>40 883 00</u>	<u>40 883 00</u>	<u>19 147 72</u>	<u>(21 735 28)</u>
Excess of revenues over expenditures	6 317 00	6 317 00	23 891 81	17 574 81
Fund balance, July 1	<u>108 076 00</u>	<u>108 076 00</u>	<u>111 146 80</u>	<u>3 070 80</u>
Fund Balance, June 30	<u><u>114 393 00</u></u>	<u><u>114 393 00</u></u>	<u><u>135 038 61</u></u>	<u><u>20 645 61</u></u>

TOWNSHIP OF SPURR  
Baraga County, Michigan

BUDGETARY COMPARISON SCHEDULE – GARBAGE FUND  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	1 200 00	1 200 00	1 174 80	(25 20)
Miscellaneous	<u>1 900 00</u>	<u>1 900 00</u>	<u>-</u>	<u>(1 900 00)</u>
Total revenues	<u>3 100 00</u>	<u>3 100 00</u>	<u>1 174 80</u>	<u>(1 925 20)</u>
Expenditures:				
Public works:				
Sanitation	<u>39 250 00</u>	<u>39 250 00</u>	<u>38 461 15</u>	<u>(788 85)</u>
Total expenditures	<u>39 250 00</u>	<u>39 250 00</u>	<u>38 461 15</u>	<u>(788 85)</u>
Excess (deficiency) of revenues over expenditures	(36 150 00)	(36 150 00)	(37 286 35)	(1 136 35)
Fund balance, July 1	<u>89 083 00</u>	<u>89 083 00</u>	<u>88 476 49</u>	<u>(606 51)</u>
Fund Balance, June 30	<u><u>52 933 00</u></u>	<u><u>52 933 00</u></u>	<u><u>51 190 14</u></u>	<u><u>(1 742 86)</u></u>



TOWNSHIP OF SPURR  
Baraga County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2004

Township Board:	
Wages	1 200 00
Pension	1 307 70
Payroll taxes	512 57
	<u>3 020 27</u>
Supervisor:	
Salary	<u>5 260 00</u>
Elections:	
Wages	435 00
Supplies	284 81
Miscellaneous	528 15
	<u>1 247 96</u>
Assessor:	
Salary	<u>4 860 00</u>
Attorney:	
Professional services	<u>277 50</u>
Clerk:	
Wages	<u>5 795 00</u>
Board of Review:	
Wages	<u>460 00</u>
Treasurer:	
Wages	5 860 00
Wages – deputy	40 00
	<u>5 900 00</u>
Building and grounds:	
Supplies	10 074 95
Contracted services	1 110 30
Repairs and maintenance	334 83
Insurance	4 063 00
Utilities	2 701 51
Miscellaneous	4 563 21
	<u>22 847 80</u>
Protective inspection:	
Salary	<u>817 83</u>
Planning Commission:	
Wages	<u>70 00</u>
Highways and streets:	
Street lighting	<u>4 898 00</u>
Recreation	<u>1 281 66</u>
Capital outlay	<u>1 393 45</u>
Total Expenditures	<u>58 129 47</u>

TOWNSHIP OF SPURR  
Baraga County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
June 30, 2004

	<u>Road</u>	<u>Fire</u>	<u>Cemetery</u>	<u>Garbage</u>	<u>Liquor</u>
<u>Assets</u>					
Cash in bank	<u>5 309 21</u>	<u>135 038 61</u>	<u>4 513 46</u>	<u>53 829 47</u>	<u>593 59</u>
Total Assets	<u>5 309 21</u>	<u>135 038 61</u>	<u>4 513 46</u>	<u>53 829 47</u>	<u>593 59</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 639 33</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 639 33</u>	<u>-</u>
Fund balances:					
Unreserved:					
Undesignated	<u>5 309 21</u>	<u>135 038 61</u>	<u>4 513 46</u>	<u>51 190 14</u>	<u>593 59</u>
Total fund balances	<u>5 309 21</u>	<u>135 038 61</u>	<u>4 513 46</u>	<u>51 190 14</u>	<u>593 59</u>
Total Liabilities and Fund Balances	<u>5 309 21</u>	<u>135 038 61</u>	<u>4 513 46</u>	<u>53 829 47</u>	<u>593 59</u>

Total

199 284 34

199 284 34

2 639 33

2 639 33

196 645 01

196 645 01

199 284 34

TOWNSHIP OF SPURR  
Baraga County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS  
Year ended June 30, 2004

	<u>Road</u>	<u>Fire</u>	<u>Cemetery</u>	<u>Garbage</u>	<u>Liquor</u>
Revenues:					
Property taxes	29 396 71	40 851 90	4 135 77	-	-
State revenue sharing	-	-	-	-	577 50
Interest	161 61	1 891 38	39 38	1 174 80	10 78
Miscellaneous	<u>202 77</u>	<u>296 25</u>	<u>30 48</u>	<u>-</u>	<u>-</u>
Total revenues	<u>29 761 09</u>	<u>43 039 53</u>	<u>4 205 63</u>	<u>1 174 80</u>	<u>588 28</u>
Expenditures:					
General government:					
Cemetery	-	-	1 932 17	-	-
Public safety:					
Liquor control	-	-	-	-	581 28
Fire protection	-	19 147 72	-	-	-
Public works:					
Highways and streets	32 365 82	-	-	-	-
Sanitation	<u>-</u>	<u>-</u>	<u>-</u>	<u>38 461 15</u>	<u>-</u>
Total expenditures	<u>32 365 82</u>	<u>19 147 72</u>	<u>1 932 17</u>	<u>38 461 15</u>	<u>581 28</u>
Excess (deficiency) of revenues over expenditures	(2 604 73)	23 891 81	2 273 46	(37 286 35)	7 00
Fund balances, July 1	<u>7 913 94</u>	<u>111 146 80</u>	<u>2 240 00</u>	<u>88 476 49</u>	<u>586 59</u>
Fund Balances, June 30	<u><u>5 309 21</u></u>	<u><u>135 038 61</u></u>	<u><u>4 513 46</u></u>	<u><u>51 190 14</u></u>	<u><u>593 59</u></u>

Total

74 384 38

577 50

3 277 95

529 50

78 769 33

1 932 17

581 28

19 147 72

32 365 82

38 461 15

92 488 14

(13 718 81)

210 363 82

196 645 01

TOWNSHIP OF SPURR  
Baraga County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS  
Year ended June 30, 2004

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/04</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>5 00</u>	<u>711 769 48</u>	<u>711 041 79</u>	<u>732 69</u>
<u>Liabilities</u>				
Due to other funds	5 00	89 574 03	88 979 66	599 37
Due to others		<u>622 195 45</u>	<u>622 062 13</u>	<u>133 32</u>
Total Liabilities	<u>5 00</u>	<u>711 769 48</u>	<u>711 041 79</u>	<u>732 69</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>376 77</u>	<u>11 472 78</u>	<u>10 621 95</u>	<u>1 227 60</u>
<u>Liabilities</u>				
Due to other funds	48 50	3 056 66	3 105 16	-
Due to others	<u>328 27</u>	<u>8 416 12</u>	<u>7 516 79</u>	<u>1 227 60</u>
Total Liabilities	<u>376 77</u>	<u>11 472 78</u>	<u>10 621 95</u>	<u>1 227 60</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>381 77</u>	<u>723 242 26</u>	<u>721 663 74</u>	<u>1 960 29</u>
<u>Liabilities</u>				
Due to other funds	53 50	92 630 69	92 084 82	599 37
Due to others	<u>328 27</u>	<u>630 611 57</u>	<u>629 578 92</u>	<u>1 360 92</u>
Total Liabilities	<u>381 77</u>	<u>723 242 26</u>	<u>721 663 74</u>	<u>1 960 29</u>

TOWNSHIP OF SPURR  
Baraga County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended June 30, 2004

Cash on hand and in bank – beginning of year	<u>5 00</u>
Cash receipts:	
Property taxes and assessments	704 416 51
Property tax administration	7 022 71
Interest	<u>330 26</u>
Total cash receipts	<u>711 769 48</u>
Total beginning balance and cash receipts	<u>711 774 48</u>
Cash disbursements:	
Township General Fund	21 393 04
Township Cemetery Fund	3 757 82
Township Fire Fund	37 118 56
Township Road Fund	26 710 24
Baraga County	332 791 37
Marquette-Alger Intermediate School District	28 847 27
Nice Community Schools	258 624 03
Refunds	<u>1 799 46</u>
Total cash disbursements	<u>711 041 79</u>
Cash on Hand and in Bank – End of Year	<u><u>732 69</u></u>

# **CAMPBELL, KUSTERER & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

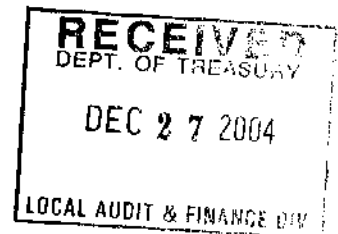
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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

November 5, 2004

To the Township Board  
Township of Spurr  
Baraga County, Michigan



We have audited the financial statements of the Township of Spurr for the year ended June 30, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Spurr in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."



To the Township Board  
Township of Spurr  
Baraga County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended June 30, 2004. The implementation of this pronouncement for the Township of Spurr began with the year ended June 30, 2004. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2004.

To the Township Board  
Township of Spurr  
Baraga County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants